

Examining Tax Planning, Tax Shelters, Antitrust laws and the
History of Mergers and Acquisitions

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Abstract

Throughout the Accounting 420 course our class was given the opportunity to network and attend lectures hosted by a wide array of Accounting firms, companies and individuals. This class opened my eyes to how diverse the accounting field is and the countless opportunities available to me as I begin my career in accounting. During this class I was able to participate in two accounting competitions hosted by KPMG and PWC, meet accounting professionals from the Big 4 and the FBI and examine a complex accounting issue I was interested in.

I focused much of my research on Tax based issues surrounding tax shelters and the growing impact of globalization and its effects on the recent uptick in merger and acquisition activity. Through the guidance of my professors and my independent research I was able to focus my interests on accounting topics that I hope to pursue further in my professional career. Accounting 420 helped me grow as a student and opened my eyes to the world of Tax and its long reaching consequences and opportunities.

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I. Introduction

Over the course of this paper I will examine in depth, the modern day importance and impact of tax planning for businesses and its effects on our economy as well as Corporations tax strategies. The role of tax shelters and how they have affected the international business landscape, while blurring the moral lines between the goals of a larger profit margin and corporate responsibility for paying fair taxes within the countries they in which they reside. The increasing role of globalization through Mergers and Acquisitions as companies seek to retain a competitive edge in their specific markets; and the struggles they face with United States Anti-trust laws and regulations put in place to encourage competition. Finally I will propose why Columbia Sportswear should acquire Eagles Nest Outfitters(ENO) in order to spread their brand and enter into a new market segment that is ripe for growth and expansion.

II. TAX PLANNING AND CONSULTING

Recent advances in travel and information technology coupled with the liberalization and worldwide shift toward capitalism has helped fuel the growth of a new business model type, the Multi-National Corporation (MNC). Beginning the in 1980's developed and developing nations both began substantially opening up their economies, cutting trade barriers and opening their doors to foreign investors(Wague 115).

By shifting their focus towards expanding into new international markets companies were able to tap into new revenue streams while creating footholds in

emerging markets. This enabled MNC's to become more competitive, develop new products and spread their corporate image. Globalization has also allowed companies to take advantage of decreased labor costs, taxes and access to raw materials(Johnson).

While taking a business international seems like an obvious next step for some businesses, it is not without its challenges. For example every country has its own laws, culture and norms that a company must follow and abide by in order to be successful. For this paper we will be specifically focusing on taxes.

International tax laws can be very complex and create problems for just about every company who operates internationally. This is because the tax rates, laws, rules and loopholes vary greatly from country to country. This complexity has allowed for an increased desire and need for businessmen and accountants who can understand these rules and help businesses navigate these laws and regulations to help their company be the most successful and competitive.

Companies wishing to do business internationally need to not only create their business plan on how best to reach their chosen markets, but also how to handle and navigate the many different tax laws in place. In order to remain competitive companies both nationally and internationally are beginning to demand more strategy and planning when it comes to paying taxes within the countries they do business.

Tax planning and consulting has become a major area of concern for all companies. As tax planning seeks to discover the most tax efficient way to align the financial goals of a company with their current financial situation through

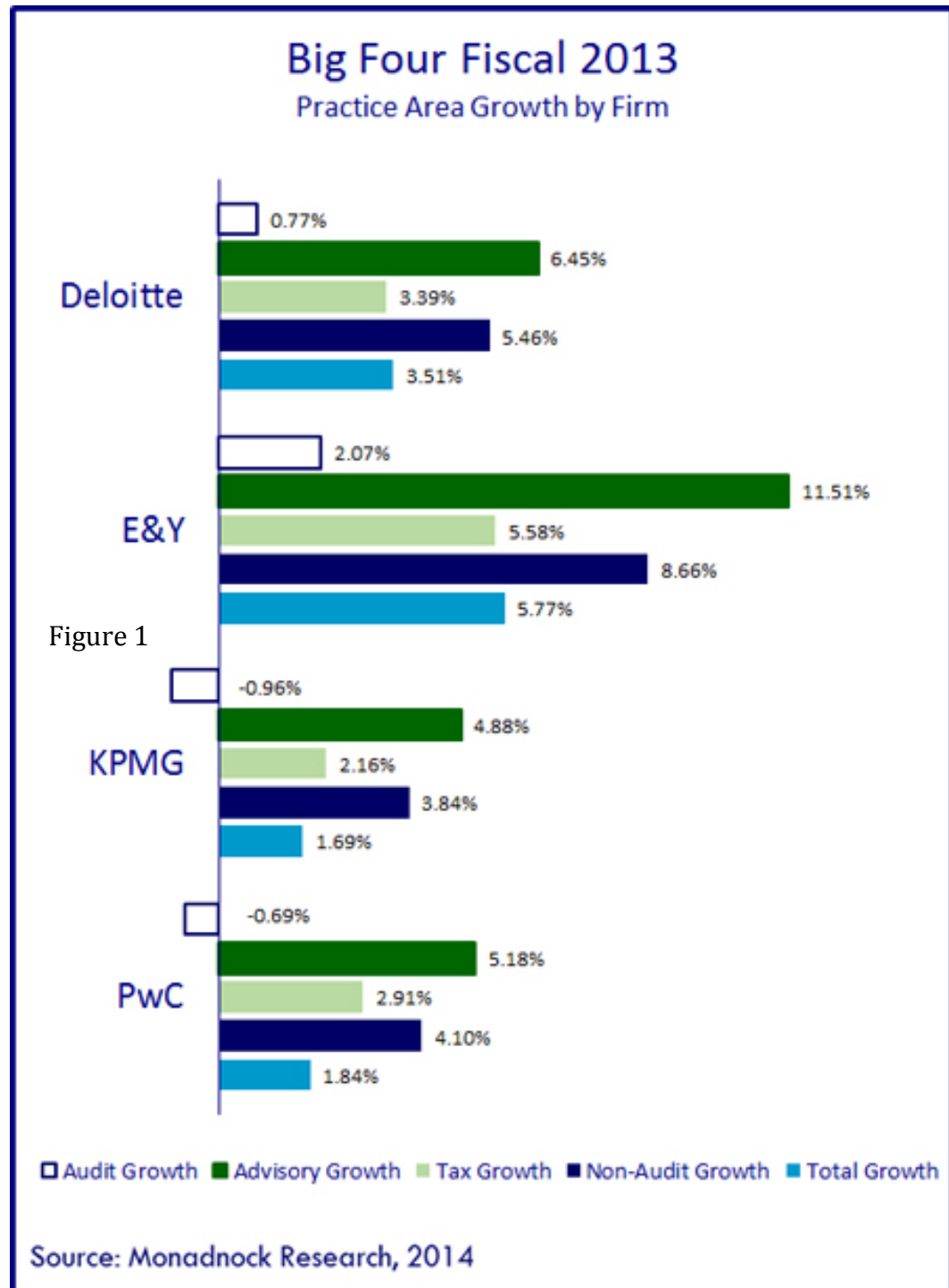
minimizing its tax liability (“Tax Planning”). Tax planning encompasses many aspects of normal business operations including the timing of income, purchases and expenditures, selection of investments, retirement plans, filing status and common deductions. While minimizing taxes is very important, companies should be careful to not allow the “tax” tail to wag the financial “dog” since it is impossible to operate a business without any kind of tax consequences. By becoming bogged down in avoiding taxes companies put themselves at risk for missing important growth opportunities (“Tax Planning”).

Multi-national corporations seem to be the most poised to take advantage of tax planning and reap extraordinary profits through tax planning, although quite often at the expense of an individual nation or government. Since MNC’s operate across the world they are not held accountable to only one country’s tax laws, but instead to all in which they do business. This allows MNC’s, to be particularly adept at planning and strategizing where and how much taxes they should pay based on revenues, transfer pricing, expenditures etc. (Wague 116)

Accountants with the training and expertise in international taxes and planning have found a niche and an increasing demand for their particular set of skills. Accounting firms have noticed this trend and over the past few years have begun to spend more money and emphasis on building their consulting and tax planning practices. In Figure 1 you will notice that in the largest growth in 2013 for each Big Four firm was in their Advisory practices and Non-Audit growth. This is important because Companies and MNC’s alike are requiring more abstract and in depth planning than ever before and are willing and eager to pay for the services of

those who can make their business more efficient and competitive both nationally and globally.

Figure 1



<http://goingconcern.com/post/big-4s-spurious-independence-one-chart>

III. TAX SHELTERS

Individuals, Small companies and MNC's alike all seek to keep as much earnings in their bank accounts as possible while limiting the amount of tax liability that they owe to the government. In order to protect their assets many individuals and corporations attempt to manipulate, hide or hold their income in tax shelters in order to protect themselves from high levels of taxation. Companies are profit oriented and anything that puts those profits at risk, such as taxes, are attempted to be minimized or avoided if possible.

MNC's seek to minimize their tax obligations by generating less income in countries with high tax rates, and generating more income in countries with lower tax rates. Companies also attempt to take advantage of transfer pricing by creating arm's length transactions and intercompany pricing in order to evade taxes by inflating or deflating profits and prices in order to avoid recognizing large gains on sales. Another method of shifting profits is to borrow money in high tax jurisdictions and less in a low tax jurisdiction, allowing a company's debt to shift without the changing the overall position or debt exposure of the firm(Wague 116-117).

"There is a distinct line between tax avoidance, which is completely legal, and tax evasion, which is not" (Taylor). The use of tax shelters are fairly common and there are many legal variations of tax shelters available to individuals and

corporations, such as various investments, real estate, pension plans, 401ks, employer sponsored health care, insurance and education as well as bonds (How Stuff Works). These types of tax shelters are actually encouraged by the government. Generous tax breaks are given within these shelters because the government wants to encourage and attract people and corporations to invest in things like the economy, personal retirement and employees (Taylor).

While there are many legal and legitimate types of tax shelters there are also many that are used for wrongdoing and deceitful purposes. The United States and the Internal Revenue Service keeps a close eye on the use of tax shelters. The surveillance and investigation of tax shelters has grown in recent years as the IRS has learned and discovered more of complex processes behind popular tax shelters (Barrymore). The IRS has taken particular interest in the usage of particular tax shelters that lead to tax evasion, which impedes government's income tax revenue, and is illegal. The IRS predicts that each year they lose anywhere between 50-100 billion dollars in revenue losses thanks to illegal tax shelters and transfer pricing schemes (Shah).

Some of the most popular tax shelters and havens are found within certain geographical areas. Tax havens are considered countries, states or governments that use their tax laws and regulations to help others hide or avoid the tax laws and regulations of other governments or jurisdictions.

As you can see in figure 2 the two areas with the most concentrated amounts of tax havens are found in the Caribbean islands and in Europe. These two spots are very popular for individuals and corporations to offshore their bank accounts and

establish shell corporations because they have little to no income taxes, have strict laws regarding financial secrecy ensuring that they will not hand over your financial statements or information, and allow anonymous ownership of bank accounts

Figure 2



<http://www.mining.com/mapping-former-current-and-emerging-tax-shelters-80920/>

The usage of tax shelters, and their increasing complexity and wide spread usage has become a major concern for the IRS and the United States Government. In 2013 the case of United States vs. Woods made it onto the docket of the U.S Supreme court. In this case Gary Woods and his employer attempted to participate in an offsetting-option tax shelter that was designed to generate large paper losses they could then use to reduce taxable income in current and future periods. This offsetting option was marketed to high income taxpayers who would artificially claim a high level of partnership interest in a company which would then claim large

paper losses with which they could write off as a significant tax loss (U.S. v Woods 1-2).

After discovering the true motives behind these particular partnerships the IRS sent a notification to Gary Woods and his partners declaring the partnership illegal. The IRS claimed that the “the partnerships were formed for the purpose of tax avoidance and thus lacked economic substance”. They claimed that the partnership was never intended to create any profits, revenues or any economic value but was created purely as a sham, and as a way to avoid taxation for other income(U.S. v Woods 2-4). Since there was no valid partnership the IRS determined that the partners could claim no basis or reasoning for their partnership and that they would be fined a 40% penalty for their valuation misstatements.

The Woods partnership had been already been ruled by the lower courts as a sham that held zero economic substance, but Woods and his partners appealed that a 40% fine was inappropriate and exorbitant. On December 3rd 2013 the Supreme Court upheld the IRS penalty and ruled that Woods must pay the steep penalties owed on the \$45 million he attempted to shield from taxes (West). Justice Antonin Scalia wrote in an opinion that the argument against the IRS penalty was “unpersuasive” and that “at the end of the day Woods’ and McCombs’ \$3.2 million investment generated tax losses that, if treated as valid, would have shielded more than \$45 million of income from taxation”.

This ruling was monumental and set a precedent for court cases currently on appeal for illegal tax sheltering. The United States vs Woods ruling reaffirmed the IRS and the U.S. Governments strong stance against illegal tax shelters and enforced

their ability to collect large penalties for those found guilty of committing tax evasion (West).

IV. TYPES OF MERGERS AND ACQUISITIONS

As companies grow and begin to expand; many times they seek to acquire other companies in order to speed up their expansion or to buy a competitor to increase their market position stronger and diverse. There are five main business combinations that are considered to be mergers: Vertical, Horizontal, Market Extension, Product Extension, and Conglomerate mergers. The term chosen to describe the merger depends on the economic function, purpose of the business combination and relationship between the merging companies (MBDA).

Vertical and Horizontal mergers are typically the most common forms of mergers that occur. In a vertical merger two companies that exist in the same supply chain, but do not directly compete with each other merge. This is often a tactic used when companies believe they can take advantage of synergies by combining firms that would be more efficient operating as one. By working together these firms are able to increase supply chain efficiency, price control and distribution channels. These types of merger are commonly found in manufacturing markets. Horizontal mergers occur when two firms who compete in the same industry merge. These are common in markets with fewer competing firms, as competition tends to be higher firms take advantage of their similarities and merge in order to attain a larger market share and force out smaller competitors (MBDA).

Market Extension mergers take place between two companies that sell the same products or services but in different markets. The main purpose of a market extension is to grow a client base and expand into new markets. A Product Extension merger takes place between two business organizations that sell products or services that are related to each other and operate in the same market. This type of merger allows the merging companies to pool resources together to gain access to a bigger set of consumers and customers providing higher profit earnings (MBDA).

Conglomerates are a business combination that has recently become increasingly popular in today's business world. These mergers occur when two, or more firms who compete and operate in completely unrelated business activities decide to combine. These conglomerates allow the parent company to diversify its investments, pool its resources and tap into various revenue streams and markets (MBDA). Some of the largest conglomerates can have over 100 different companies providing dozens of different services and products. Examples of some of the largest and best known conglomerates are Kraft, PepsiCo, Coca-Cola, Google and Facebook.

There are many different ways in which two firms combine in order to create one entity. Companies are bought, taken over, merged and sold every day and the transactions to make this possible may occur within a wide range of actions. One way of merging companies is by selling the majority of Company X's assets to Company Y. This gives Company Y control over Company X's assets and operations. A Consolidation is when two separate firms. In order to combine dissolve their individual identities to form a single new and separate identity. One way to attain control over a dissenting firm is to offer an amount of money, ownership stake or

stock in the combined company for the controlling share of theirs. This is fairly common when a public company is buying a privately held one. Not every merger and acquisition is necessarily desirable for both parties which can lead to all kinds of corporate strategies and maneuvering. In such cases Company Y may attain ownership of Company X through a takeover maneuver in which the company Y purchases enough of the other firm's outstanding stock to own a controlling interest (Mergers&Acquisitions).

As globalization becomes an increasing theme in today's business world mergers have become increasingly important in order for MNC's and companies alike to remain competitive and relevant. Corporations with large conglomerates or supply chain channels are able to be more efficient and adept at taking advantage of economies of scale in order to pass on savings to the customer. Because of their decreased cost and inefficiencies companies like Google, Facebook, Walmart and Kraft are able to reach and serve millions of people around the world allowing them to become stronger and earn more revenue than ever before.

While mergers and acquisitions create many positive attributes such as large profits, economies of scale, better products etc. they can also create many problems within a countries economy. Economies work best when competition is strong as competition drives innovation, design, and reduced prices. But when competition is wiped away there is little stopping a company or small group of companies from reigning over a market segment, driving up prices and holding customers hostage. For this reason anti-trust laws were created and are heavily enforced within the United States and most other countries around the world.

V. HISTORY OF ANITTRUST LAWS AND THE US ECONOMY

Anti-trust laws are tasked with helping sustain competition which is attributed as being the driving force within the all economies. Before the Civil War the US economy was made up largely of local manufacturers, retailers and distributors that rarely spread into other regions. The Civil War demanded that these manufacturers, retailers and distributors work together in order to meet ferocious production demands, and it did not take long for business owner to see the advantage of size on obtaining capital (History and Basic Framework).

The first great business combinations that held astounding amounts of power were those of the railroad companies. Railroad owners found that by joining forces, and creating pools in which they divided the market they could avoid price wars and keep out other competitors. The railroads would offer discounts to favored shippers who agreed to ship their wares only on certain lines, and discriminated against those in particular geographic locations or those who did not abide by their rules. This created a lot of dissent among farmers, retailers and manufacturers alike as they felt that the railroad companies were taking advantage of their situation and gouging prices. Finally, after much opposition and time many state legislatures passed laws regulating the railroads.

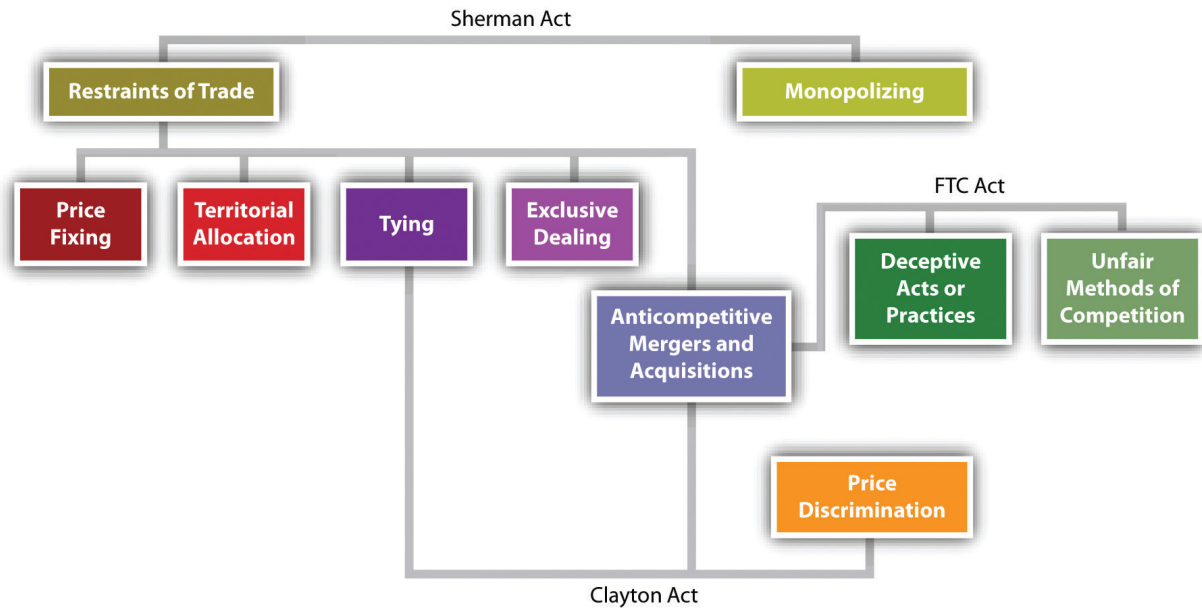
But shortly after the regulatory laws were passed the railroad owners had discovered that their pool system lacked enforcement power, and those who had agreed to be bound by the pooling arrangement could and often cheat (History and Basic Framework). During the 1870's-1880's the corporate form of business

enterprise allowed for immense accumulations of wealth and capital to be controlled by a small number of managers, but at this time corporations were not yet established as a dominant or popular legal form of operation.

John D. Rockefeller and his lawyers noticed the great potential a corporation had as a business enterprise and created Standard Oil as a common-law trust. Trustees were given corporate stock certificates of various companies, thus combining numerous corporations allowing the few trustees to effectively control an entire industry. And it did not take long for the other powerful United States business men to follow suit creating the Cotton Trust, Sugar Trust, Whiskey Trust, Steel Trust, Tobacco Trust and dozens more over the next decade (History and Basic Framework).

In the late 1880's with consumers and small business owners alike howling and lobbying against the unfair Trust foundations politicians got the message. In 1890 the Sherman Antitrust act was passed, effectively banning the restraint of trade and monopolizing. The Sherman Antitrust act proved to be an important milestone for the future of business and the US economy: proving that the federal government held the power to enforce national policy's against big businesses and those who sought to restrain trade and competition.

Figure 3



<http://2012books.lardbucket.org/books/the-legal-environment-and-government-regulation-of-business/s19-01-history-and-basic-framework-of.html>

The Sherman act was not the only antitrust law to be filed and passed by congress. The Sherman Act as you can see in Figure 3 only focused on two major things: Restraints on Trade and Monopoly's. The Sherman Act defined Restraints on trade as anything that fixes price, divides territories, tying products or services together making it impossible to buy one without the other, and exclusive dealing contracts. The Clayton act was passed just 14 years later in order to fill many of the loopholes Congress felt were left by the Sherman Act. The Clayton act unlike the Sherman act is not a criminal statute; it merely defines practices that are unlawful

and gives the government authority to rule against them. The Clayton act specifically described price discrimination practices that were illegal, made anticompetitive mergers and acquisitions illegal, and closed several loopholes regarding product and service tying.

The Federal Trade Commission act is similar to the Clayton act in which it is not a criminal statute lacks the authority to hand out penalties. The strength of the FTC is in its broad wordiness giving the government plenty of leeway in developing new laws and regulations against deceptive and unfair business practices(History and Basic Framework).

VI. ANTITRUST CASES

Antitrust laws are being tested more than ever before as corporations begin to merge and become larger and more powerful than ever before. Mergers have allowed Corporations to extend their reach not only around the world but also into several market segments both vertically and horizontally giving them more market power and control. MNC's and large conglomerates have been under fire recently and attacked for becoming monopolistic, price fixing and anticompetitive.

One of the most important antitrust cases to make it to the Supreme Court was *Hartford Fire Insurance v. California* in 1993. Hartford Fire Insurance was an insurance company based out of the United Kingdom and was charged with conspiring to coerce U.S. insurers to abandon certain policy practices that were beneficial to consumers, and costly to reinsurers. When California filed a lawsuit claiming antitrust breaches and price fixing Hartford fire claimed that the United

States lacked jurisdiction and thus could not be held responsible within the US court system. The Supreme Court ruled that they were liable and that the Sherman Act applies to foreign conduct that was meant to, and did produce some substantial effect on the United States markets(Hartford Fire v. California). This case set a precedent for all businesses and MNC's that chose to operate within the US that they could, and would be held responsible for breaking American antitrust and anticompetitive laws.

Agreements among competitors have largely been judged harshly under antitrust law, especially in cases where the agreements accomplish collusive pricing, pricing manipulation, or purposeful reductions in production output. But not all agreements among firms necessarily lead to anticompetitive outcomes as the Supreme Court ruled in *Texaco Inc. v. Dagher*. In this particular case Dagher, a gasoline service station, sued Equilon Enterprises a joint venture formed by Texaco and Shell oil companies claiming that the joint venture was setting prices and thus committing price fixing violations under the Sherman Act. The Supreme Court in a unanimous decision ruled that the entities involved in the joint venture were no longer in competition with each other, and therefore could not be participating in price fixing (Texaco v. Dagher). Price fixing schemes are required to have two competing firms colluding to set prices above a competitive level forcing people to pay higher prices. Since Texaco and Shell Oil were no longer competing but instead operating as a single unmerged organization under the name Equilon they could not be charged with price fixing. This case provided guidance to the treatment of

lawfully formed joint ventures and collaboration among competitors, clarifying their rights to collaborate and set pricing decisions (Durrance 35-39).

Companies such as Apple, Microsoft and Google and many more have been accused or are currently fighting accusations regarding anticompetitive, and monopolistic strategies. These charges can be seriously damaging to a company forcing them to pay huge fines and penalties, sell off or dissolve pieces of their company, or in extreme circumstances shut down. Microsoft in the 2001 was accused of becoming a monopoly and engaging in abusive strategies under the Sherman Antitrust act for selling its operating system and web browser, Internet Explorer, as a bundled package. The Microsoft and Internet Explorer bundle was claimed to have been responsible for Microsoft toppling all competition in the Internet browser category since all Windows machines were preinstalled with, and could only use Internet Explorer. The case *United States v. Microsoft Corporation* in 2001 was finally settled when Microsoft agreed to share its application programming interfaces and Internet Explorer with third-party companies, and allow other browsers to function on their Windows Operating Systems(U.S. v. Microsoft).

VII. RECENT MERGERS AND ACQUISITIONS

There have been several large and important mergers that have dominated the news headlines in recent years. One of the most interesting was the Cadbury-Kraft Merger in 2011. In 2009 US conglomerate and food superpower Kraft was beginning plans to restructure their company into two separate entities: a grocery

business, and a global snacks business. At this time Kraft was looking for brands that would help provide scale and recognition as well as a foothold into emerging markets such as India, China and South America (Moeller). Kraft believed that Cadbury would be the perfect fit to round out their snacks business; the only problem was Cadbury was not for sale.

Not only was Cadbury not for sale, they were actively resistant to Kraft's takeover. After almost two years of maneuvering Cadbury finally gave in and a deal was struck; for 840 pence a share (approximately \$14.05 a share) plus a 10 pence dividend (\$.18) Kraft took control of Cadbury for \$18.9 billion (Moeller).

The Kraft Cadbury merger was not a popular one, and was met with vocal protests from politicians, employees, and shareholders alike. One of the major concerns was that Kraft, a US operated company, would move much of the UK based company overseas causing thousands of UK jobs to be lost or relocated. Others criticized that Cadbury's quality would decrease and that Cadbury would become just another "big business". Kraft calmed some of these fears saying it would keep the majority of jobs and operations within the UK where the business was founded and run for the past 180 years, while ensuring that quality would never be diminished.

Shortly after the takeover was finalized, Sanjay Khosla the head of Kraft's operations in developing countries claimed the merger "a match made in heaven". But not everyone agreed; in the first months of the acquisition over twenty senior executives from various departments resigned, claiming Kraft and their operating style as being "Officious and Overbearing". Kraft and Cadbury were intrinsically very

different companies and had very opposing cultures; Kraft was extremely profit driven and controlling of their business processes, while Cadbury gave managers more autonomy allowing them to make pricing and promotional decisions in order to adapt to their markets as they saw fit (Vijayraghavan).

Two years later the Kraft Cadbury seems to have been a success, but hardly the homerun Kraft had wished for. Many of the integration issues have been solved, or at least smoothed over and both Kraft and Cadbury have seen an increase in sales in emerging markets such as India and China.

Another merger with similar intentions of breaking into new markets was Wal-Marts purchase of African retailer Massmart. Under the terms of the deal Wal-Mart, the world's largest retailer, would acquire a fifty-one percent stake in Massmart and agree to not lay off any workers for two years. At the time Massmart owned nine wholesale and retail chains, with 288 stores in more than a dozen African countries. Through this acquisition Wal-Mart was able to secure a strong market foothold in Africa allowing them to be in a prime position to take advantage of the positive economic movement of several developing countries. Wal-Mart believes South Africa is a key market citing that South Africans alone account for twenty percent of consumer spending on the entire continent. South Africa also allows Wal-Mart to grow into neighboring countries especially those such as Nigeria which is gaining appeal due to its rising affluence levels and increasing size of the middle class (Team).

Over the next few years Wal-Mart has set plans to construct an additional 140 stores in South Africa, and 10 in neighboring countries such as Botswana,

Namibia, Lesotho, Nigeria and Uganda (Team). Moving forward Wal-Mart has many issues they must address such as: establishing a reliable and efficient transportation network, dealing with an ever changing political landscape, and meeting the needs and wants of a brand new culture. The Wal-Mart Massmart merger has been and will continue to be used by many investors to gauge how South Africa; and Africa as a whole reacts to foreign investment. So far Wal-Marts investment seems to have paid off. After just two years Massmart has grown to 377 stores spanning the continent and in holds a strong position within South Africa giving Wal-Mart a firm foothold in this fast-growing region. In 2012 Massmart's sales increased by 15.6% versus the 12% growth in 2011. Net income also jumped 40% from the previous year, with close to 92% of its annual revenue coming from within South Africa (Kew).

The most recent merger to make headlines has been the merger between American Airlines and US Airways. In 2011 American Airlines filed for bankruptcy protection, knowing that they would not be able to survive alone, struck a deal with US Airways who was looking for a merging partner. The \$11 billion deal would give American Airline and US Airways a chance to compete against United Continental and Delta Air Lines, as well as a way for American Airlines to pay back its creditors (Burrows).

In order for the American Airlines and US Airways merger to move forward the airlines would have to reach an antitrust settlement with the Department of Justice. Concerns were that the newly formed mega airline would affect operations at many of the nation's most important airports, and open the door to low-cost

competition allowing for and unfair competitive advantage. After months of negotiation a deal was struck; US Airways and American agreed to sell 134 take off/landing slots at Washington's Regan National Airport, 34 slots at New York's LaGuardia Airport, as well as dozens of slots at airports around the country. They would also give up 1-2 gates at key airports such as Boston, Chicago O'Hare, and Miami(Maynard).

Finally Eleven months after the announced merger, the union that would create the world's largest airline, became official December 2013. The newly merged company would now be part of the American Airlines Group Inc. and would be traded on the NASDAQ under the ticker symbol AAL(Martin). Full integration for these airlines is expected to take up to two years, as frequent flyer miles are transferred over, gates converged, flight paths rearranged, planes painted and data integrated(Micheline).

VIII. PROPOSED MERGER

The most successful mergers tend to be those that combine two companies with similar goals and philosophies. Two companies that I believe would make for an extremely profitable merger would be the combination of Columbia Sportswear, a global leader in outdoor equipment and clothing, and Eagles Nest Outfitters a rapidly growing outdoor sporting brand that specializes in light weight camping equipment and hammocks.

Columbia Sportswear was founded in 1938 as a small, family owned hat company by Gert Boyle. In 1960 Columbia Hat Company was renamed to Columbia

Sportswear and they began to make light jackets, shirts and other apparel. Columbia first became famous for its innovative waterproof fabrics that were extremely lightweight and breathable, as well as jackets that had interchangeable shells and liners. In 1998 Columbia Sportswear became a publicly traded company and is currently traded on the NASDAQ under the ticker COLM. Shortly after going public Columbia sought out other brands to diversify and add depth to their product lines. They acquired Sorel Corporation a shoe and boot company in 2000, Mountain Hardwear an outdoor clothing, backpack and camping manufacturer in 2004. In 2006 they purchased Montrail a running shoe brand, and Pacific Trail a jacket and warm weather gear company("About Us-Columbia").

Columbia today trades at \$80.40 a share and brings in annual revenue of around \$1.68 Billion dollars. In appendix "A" I have recreated an overview of Columbia's Income Statement for the years 2011 and 2012 as well as some current market information taken from Yahoo.com/finance. In 2012 Columbia experienced a growth in current assets of approximately 5.52%, while decreasing its current liabilities by 4.97% from the previous year. Analysts are predicting a growth rate of approximately 11.96% over the next 5 years; largely due to Columbia's recently acquired brands and their increasing popularity and exposure as Columbia products.

Eagles Nest Outfitters on the other hand is a privately held company based out of Asheville, North Carolina. Founded in 1999 by two brothers who loved the outdoors and backpacking. Together they created a small light weight hammock and began selling their product out of their van. Soon Peter and Paul Pinholster found

they had created something special, and Eagles Nest Outfitters was born("About Eagles Nest Outfitters"). Now Eagles Nest Outfitters, ENO as they are commonly called, has taken the camping and backpacking industry by storm. Their website and brand now sells several types of hammocks, suspension systems, backpacks, rainflys and other hammock related gear. Currently ENO has about 50 employees and is being sold in more than 750 outdoor sporting goods stores based primarily on the East Coast.

While I was not able to retrieve accurate financial information for Eagles Nest Outfitters I was able to make assumptions on ENO's annual sales, and costs based on industry averages and using Columbia as a comparable company. I estimated ENO's annual sales to be \$3 million based on the amount of stores they are currently found in, brand popularity among outdoor enthusiasts and college students, and range of products they sell online. Using the "*Business Reference Guide*" by Business Brokerage Press I found that Sporting Goods stores as a "rule of thumb" were typically valued at 25% of annual sales + existing inventory. Therefore I valued ENO at \$3 million dollars, \$750,000 for its annual sales, \$250,000 for expected inventory, and an extra \$2,000,000 for ENO's brand name and goodwill.

By combining Columbia and Eagles Nest Outfitters, Columbia would add significant depth and a new product line to its outdoor camping division, and Eagles Nest Outfitters would see a huge increase in sales through Columbia's superior distribution channels. As you can see in appendix "B" which is attached this paper, I believe that in just one year with Columbia's distribution and manufacturing economies of scale ENO could see a 180% increase in sales, decrease it production

and selling costs by 2%, increase its profit margin by 21% all in just one year. In year two I expect ENO's sales to grow by another 90% as their products continue to reach new customers and new markets globally. After two years I believe that the cost of goods sold would again drop by about 3% as Columbia and ENO reach full optimization and efficiency with their manufacturer allowing ENO products to be made cheaper than ever before. In future years ENO will be perfectly placed for continual growth due to increased exposure both nationally and Internationally allowing ENO to establish itself as a leading brand for Columbia in the camping goods industry.

Large corporations like Columbia are beginning to rely heavily on their acquired brands to make up an increasing amount of their annual revenues as well as help drive the growth of their company. By buying ENO now as a very small company Columbia has an amazing opportunity to quickly gain large profits and grow this company with very little risk. For a mere \$3 million dollars Columbia has the ability to grow and capitalize their investment and reestablish themselves as a world leader in the camping retail industry.

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APPENDICES

APPENDIX A	Columbia Sportswear Financial Analysis
APPENDIX B	Eagles Nest Outfitters Prospective Financial Analysis
APPENDIX C	Project Presentation Slides
APPENDIX D	Professional Speaker Series Write Ups

Appendix A

Columbia Sportswear (COLM)

Stock Price	\$80.40
Dividend Yield	\$1.12
Beta	1.33
Profit Margin	5.52%
Annual Revenue	\$1680 million
Gross Profit	\$743.66 million

	2012	2011	%Change
Current Assets	\$1,458,842.00	\$1,382,542.00	5.518819681
Current Liabilities	\$292,675.00	\$307,997.00	-4.97472378
Stockholders Equity	\$1,166,167.00	\$1,074,545.00	8.526585671

2012 Annual Report (in thousands)

	2011	2012	
Net Sales	\$1,693,985.00	\$1,669,563.00	
Cost of Sales	\$958,677.00	\$953,169.00	57.1% of net sales
Gross Profit	\$735,308.00	\$716,394.00	
Selling, General, and Administrative expenses	\$614,658.00	\$596,635.00	83.25% of gross profit
Net Licensing Income	\$15,756.00	\$13,769.00	
Income from Operations	\$136,406.00	\$133,528.00	
Interest Income, net	\$1,274.00	\$379.00	
Income Before Income Tax	\$137,680.00	\$133,907.00	
Income Tax Expense	-\$34,201.00	-\$34,048.00	25.42% of pre-tax income
Net Income	\$103,479.00	\$99,859.00	

Profit Margin 5.98%

Appendix B

Eagles Nest Outfitters

2013 Predicted Financial Statement

Net Sales	\$3,000,000.00		
Cost of Sales	<u>\$1,950,000.00</u>	Cost of Sales	65%
Gross Profit	\$1,050,000.00		
Selling, General and Administrative Costs	<u>\$874,125.00</u>	Selling, General and Administrative costs	81.00%
Income from Operations	\$175,875.00		
Tax Expense	<u>\$68,591.25</u>	Tax expense	39%
Net Income	<u><u>\$107,283.75</u></u>	Profit Margin	3.58%

I predicted ENO's current sales as \$3,000,000 based off of how many stores their product is sold, as well as the brands popularity and estimated online sales.

I also predicted that their Cost of Sales would be higher than Columbia's because they are a small company and do not have as much access or efficiencies of scale in manufacturing goods as a company like Columbia would have.

I brought the percent of selling, general and administrative costs down a little bit because as a smaller company they have less employees and cheaper administrative costs than a large company like Columbia probably has.

As a smaller company I expected them to be unable to take as many advantages of tax loopholes, and transfer pricing strategies that larger corporations are able to. So I placed their tax expense and tax rate comparable to small businesses with ENO's approximate Income from Operations

Eagles Nest Outfitters

2014 Predicted Financial Statement (after acquisition)

Net Sales	\$8,400,000.00	Sales Increase	180%
Cost of Sales	<u>\$5,292,000.00</u>	Cost of Sales	63%
Gross Profit	\$3,108,000.00		
Selling, General and Administrative Costs	<u>\$2,548,560.00</u>	Selling, General and Administrative costs	82.00%
Income from Operations	\$559,440.00		
Tax Expense	<u>\$195,804.00</u>	Tax expense	35%
Net Income	<u><u>\$363,636.00</u></u>	Profit margin	4.33%

Because of Columbia's huge market share in the Outdoor retail industry I expect for ENO to gain a lot of exposure causing ENO to experience a huge increase in sales of 180% in the first year. Also as Columbia begins to manufacture ENO products through their pre-established supply chains and manufacturers I expect for the Cost of Sales to go down to 63%.

As ENO becomes a piece of a much larger organization they will naturally receive an increase in the selling, general and administrative costs.

ENO will also be able to take advantage of Columbia's superior tax planning strategies allowing them to pay less in Income taxes and increase their profit margin to 4.33%

Eagles Nest Outfitters

2015 Predicted Financial Statement (after acquisition)

Net Sales	\$15,960,000.00	Sales Increase	90%
Cost of Sales	<u>\$9,576,000.00</u>	Cost of Sales	60%
Gross Profit	\$6,384,000.00		
		Selling, General and Administrative costs	83.25%
Selling, General and Administrative Costs	<u>\$5,314,680.00</u>		
Income from Operations	\$1,069,320.00		
Tax Expense	<u>\$352,875.60</u>	Tax expense	33%
Net Income	<u><u>\$716,444.40</u></u>	Profit margin	4.49%

Finally as ENO is fully incorporated into Columbia's company they will see another healthy year as sales increase by 90%. I suspect a 90% sales increase because ENO is still a fairly new product and is still being introduced around the world, but by now the hype will have worn down a bit and ENO will begin to experience more normal rates of sales in the upcoming years. Competitors will also enter the market seeing opportunity driving sales down.

Now ENO is fully able to take advantage of Columbia's supply chain to gain cheaper materials and an improved manufacturing process allowing Cost of Sales to decrease to 60%

As ENO becomes fully incorporated I expect their selling, general and administrative costs to equal the company wide average of 83.25%.

ENO will also be much more efficient in its tax planning, and international sales and transfer pricing will drive Tax expense down. But most sales will still be held within the United States so tax expense will stay around 33%.

Appendix C

Examining Mergers and Acquisitions from an International Perspective

By: Austin Yarber

Globalization

- Investment in Technology and Communication
 - “The World is Flat”
- Worldwide Shift towards Capitalism
 - Reduction in Trade Barriers
- Outsourcing
- Reaching new Markets



Rise of the Multi-National Corporation

- Economies of Scale
 - Raw Materials
 - Labor
- Increased access to funds and open markets
- Able to take advantage of emerging economies
- Tax advantages
- More powerful than ever before

Types of Mergers

- Vertical
- Horizontal
- Market Extension
- Product Extension
- Conglomerate



Mergers through History

Time Period	Name	Type of Acquisition
1897-1904	First Wave	Horizontal Mergers
1916-1929	Second Wave	Vertical Mergers
1965-1969	Third Wave	Diversified Conglomerate Mergers
1981-1989	Fourth Wave	Congeneric Mergers, Hostile Takeovers
1992-2000	Fifth Wave	Cross-Border mergers
2003-now	Sixth Wave	Shareholder Activism, Private Equity, LBO

“Buyers aren’t necessarily hungry for the target companies’ hard assets. Some are more interested in acquiring thoughts, methodologies, people and relationships”
– Paul Graham

Recent Mergers and Acquisitions

- American Airlines and US Airways
- Kraft-Cadbury
- Wal-Mart-Massmart

Kraft-Cadbury



- Kraft was looking to split into two companies
 - Grocery business, Snack Business
- Kraft needed more products and brands for its Global Snack Brand
- Wanted to gain footholds in emerging markets
 - India, China, South America
- Chose to acquire Cadbury; but Cadbury was not for sale
 - India, China, South America

Kraft-Cadbury

- Issues and Dilemmas
 - Public and employees were against the merger
 - Separate Corporate Strategies
 - Maintaining the Brand Quality



American Airlines-US Airways

- American Airlines files for bankruptcy protection in 2011
 - Uncertain future
- US Airways was in the market for a merger
- Created the worlds largest Airline, American Airlines Group Inc.
 - Advantages: way to pay off debt, able to compete with Delta Airlines and Continental Airways



American Airlines-US Airways

- Antitrust laws and concerns
 - Low cost competition
 - Drive out competitors
 - Unfair competitive advantage
- American Airlines Group
 - Agreed to sell takeoff/landing slots at key Airports such as Reagan National Airport, LaGuardia Airport and Miami Airport
 - Give up 1-2 gates at the Boston, Chicago, and Miami Airports

Wal-Mart-Massmart Purchase

- Wal-Mart wanted access the emerging markets and countries in Africa
- Massmart was the largest retailer in South Africa
 - 9 retail and wholesale chains, 288 stores
- Hoped to use Massmart as a stepping stone
 - Growing middle classes and developing countries
 - Low entry barriers, costs and almost no competition

Wal-Mart-Massmart Purchase

- Set plans to build an additional 140 stores in South Africa
 - 12 stores in neighboring countries
- Rest of the Corporate world was watching
 - How would South Africa and its neighboring countries react to international investment?

Proposed Merger

- Columbia Sportswear and Eagles Nest Outfitters
- Other Columbia Brands
 - Mountain Hardwear, Montrail, Pacific Trail, Sorel
- Eagles Nest Outfitters
 - Pioneers in light weight camping/recreational equipment
 - Small Asheville based company with strong following
- Increased use of mergers/acquisitions by large corporations to facilitate steady growth numbers

Columbia-Eagles Nest Outfitters

- Columbia's financial outlook
 - Appendix A
- Expected Growth model for years 2013-2015
 - Appendix B

Appendix D

PwC, September 12, 2013

Kent Vercheck (Partner, Assurance)
Brent Ellis (Managing Director, Tax)
George Bordelon (Experienced Associate, Assurance)
Corey Edgar (Campus Sourcing)

Summary of the case

The case presented was about the State of Westmead and the Westmead Office of Transportation. It appears as if revenue from the sale of gas has gone down significantly in the previous years as more and more people begin to make the switch to more eco-friendly vehicles. While this is great, the lower revenue has made it difficult for road improvements to take place and be adequately funded for. Since roads still need the same amount of repair no matter what kind of car drives on its roads, Westmead has asked for our help in implementing a new tax or revenue stream in order to regain some of the missing revenue while not significantly raising taxes on its people.

Our solution

We proposed that in order to make up for some of the lost revenue, Westmead should implement a 2-3% tax on all items sold within gas stations in order to regain revenue while not raising income taxes noticeably. We feel this would be an effective tax because the tax effect would be very small, and it could be considered more of a convenience tax than a completely separate tax rate.

What I learned

How an Accounting firm functions, and each associate, manager and partner plays a critical and important role. I also learned the types of questions and problems potential clients ask firms to solve and how accounting firms use all of its resources (interns, associates, seniors and partners to meet their clients demands.

BKD September 19, 2013

Penny Wood (Senior Manager)
Matthew Glover (Senior Associate)
Thad Burke (Senior Associate)
Eli Ladner (Associate)
Chandler Croom (Associate)

Summary of the case

BKD presented our class with several examples and cases of Fraud and Embezzlement and asked us to assess and evaluate several ways the owners of the audited companies could have prevented, or identified fraud that was happening within their business. The case I was given was about a Woman working for a Termite Control company and over 3 years embezzled around 1.2 million dollars. This woman was a friend of the owner, and had a string of financial jobs in the past. She worked very independently and demanded complete control and responsibility for the financial statements and operations. The company eventually ran into financial distress and when the owner and his accountant hired an auditor they discovered the fraud.

Our solution

We identified several ways the business owner could have identified or prevented fraud. The owner should have required and performed a background check to see if she had any former incidents of fraud (which she did) and to check references and reviews of her previously held positions. He should have had someone double checking the records, not giving her complete control and trust. He should have had a working knowledge of how financial statements work, so he could identify discrepancies and unusual expenses, and also have her bring to him unopened bank statements so he could see the expenses he occurred that month without them being forged or tampered with beforehand.

What I learned

That fraud is much more common than I previously expected and for the most part it is pretty easy, and those in positions to commit fraud can easily take advantage. I learned that having a firm understanding of financial statements, as well as following up on little things like references can save you a lot of time and money in the long run. Also just because you have an accountant or bookkeeper does not mean you shouldn't be involved with the financials; being involved in the money handling can allow you to identify and assess risks of fraud much easier and even in the beginning stages.

KPMG September 26, 2013

Kristen Hill (Managing Director- Advisory Technology Enablement)
Betsy Sights (Campus Recruiting)

Summary of the case

KPMG mainly discussed Stakeholders and the Relationships that are built between companies and its stakeholders and how that leads towards creating long term value (Goodwill). We talked about how to companies and businesses identify stakeholders and what each type can bring to the table as an asset and how they are important in order to fit into a companies operations and objectives. They provided us with several tables and charts in which to graph and show the relationships, influence and objectives each stakeholder possesses within a company.

Our solution

We had to create a fictional company and think about who our stakeholders would be. We envisioned a Phone Company and identified our stakeholders as the companies that make our parts, software, towers, customers, stockholders, and employees. The company that makes our part is important because they supply us with good materials and parts which in turn make our product superior to our competition. Software developers are important stakeholders because they add innovative ideas and possibilities for our products, and allow us to better meet our clients needs. Cell tower companies allow our product to function and perform as our clients expect. Finally those that invest in our company and buy our products are huge stakeholders because they believe in our product , service and company and we want to make sure they stay and continue to invest in us.

What I learned

I learned that companies effect many more people than I originally thought. The circles of influence are much wider and effect many different people that may not be directly associated with the production of a product or service. Companies are more susceptible to influence than I ever imagined because they try to meet the needs of supplies, employees, customers, stock holders and the community. All of these people play an important role in how the company functions and makes future decisions.

Center for Intelligence and Security Studies October 3, 2013

Carl Jensen (Former Special Agent FBI, Head of the CISS at Ole Miss)

Summary of the case

Our class was introduced to the world of clandestine financial statements and documents that are used mainly in illegal activities such as embezzlement, drug deals, and trafficking. Our class focused mainly on a case where there appeared to be some kind of financial transaction taking place, but it was masked and hidden by a code. There were letters, that appeared to represent numbers and in the format of a journal entry. Some of the words were in Spanish and translated they meant “paid” and “balance” which tipped us off immediately that there was some money being transferred and something being sold or bought.

Our solution

It was clear that some kind of product was being sold and bought through the transactions, and since it met all the criteria of a covert operation we guessed it was a drug dealers financial book keeping and accounts of how much inventory he had and how much he was making. After a long time trying to make the letters represent numbers accurately and many failed attempts, we were told that the letters 1-9 represent numbers based on the word “MERCIELAGO” which means “bat” in Spanish. So M=1, E=2, R=3 and so on. From there we were able to match each letter with a number and crack the drug dealers code. It was evident that the drug dealer was selling marijuana because it appeared to be measured in pounds and ounces instead of kilos which would indicate some other drug such as heroine, meth or cocaine. After that we were able to see how much he bought, and sold and how much each pound of marijuana was worth.

What I learned

I learned that drug dealers try really hard to mask their operations and keep sort of unofficial documentation of their records. I also was fascinated to see that Accounting and those with financial backgrounds are heavily sought after in the FBI to evaluate, decipher, and understand clandestine operations.

PWC CASE COMPETITION #1, OCTOBER 14, 2013

Summary of the case

We were given a case about Perpetual Energy Group who was asking for our expertise on whether to accept or deny a proposal to build a Biodiesel manufacturing facility. We were given Perpetual Energy Group's sales and financial numbers for their oil division, as well as the expected sales and expenses for the proposed Biodiesel plant for the first three years.

Our solution

Our solution for Perpetual Energy Group was to accept the proposal to build the Biodiesel factory under the premise that they will reinvest 60% of their profits from the Biodiesel factory in order to fund its research and development department working towards a more cost effective way to refine and grow algae. We believed that Algae fuel was the biofuel of the future because of its extremely fast growth rate, its high oil concentration rate of 80% compared to the 2-5% oil concentration rate found in soy and corn. We found that the biggest hurdle toward making Algae cost effective was the amount of refining it would take to become usable, and that is where we wanted the research and development department to focus its research.

What I learned

I learned a ton about the oil and biofuel industries as well as the process of getting fuel from the ground, to refineries, and then distributed all across the country. I was fascinated to learn about the complicated process oil goes through in order to get into my tank, and the many different possible fuels of the future. I strongly believe that our dependence of oil needs to be reduced, and through the research my group and I did I believe we are close to developing our own more sustainable fuel sources that can reduce our dependence on foreign oil and decrease our emissions.

I also learned a lot about working with a team, and creating a business plan. Doing in depth research about technology and markets I had almost no knowledge about was exciting and challenging. Being able to present it to a group was extremely difficult and a steep learning curve. Now that I have done my first case competition I feel much more confident and prepared for what to expect for the next case competition.

Dixon Hughes Goodman , OCTOBER 10, 2013

Glenn, Chris
Dixon Hughes Goodman
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Summary of the case

Dixon Hughes brought in a new type of Accounting that we haven't heard of before called Forensic Litigation Support and Litigation services. This branch is made up of Accountants with many different certifications and qualifications. It's members have a wide range of experience and knowledge with degrees ranging from CPA's to Law. They go into companies and businesses in an attempt to solve any kind of problem or issue through research and accounting methods. They work on commercial cases, fraud cases, personal and valuation services or wherever a company may need some help. They are very versatile at their jobs and focus mainly on areas where the company is failing or struggling to meet performance goals or standards.

Our solution

Throughout the presentation we were asked several questions and were asked to send in our answers using a clicker device. We looked at several cases in which their services were used to identify fraud and commercial matters. The Forensic Litigation Support and Litigation services branch seemed very familiar to auditing and they actually work very close with the auditing community and branch of their firm.

What I learned

I learned that Tax, Audit and Advisory has many different sub branches in which to specialize in, and your accounting degree can be very versatile, allowing you to follow your passions into the accounting world. I was very happy to learn about different certifications and branches available for accountants because right now I'm unsure of what I want to do with my accounting degree. Dixon Hughes also informed us about their upcoming Summer Leadership conferences and how to apply for them this Spring.

Deloitte, OCTOBER 17, 2013

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Summary of the case

Deloitte came in and talked about a branch of Accounting that I have heard very little about and is not emphasized as much as Tax and Audit. They focused mainly on Advisory Accounting and how their jobs are a sort of mix between both Tax and Audit, and they work closely with their clients to figure out the best course of action for different situations. We talked for a while about the different types of Risks a company can have, and focused mainly on Mr. Allens specific focus in Advisory, Technology risks. We examined different types of internal controls companies have to limit their technological risks such as thievery and confidential data.

Our solution

We examined several different types of companies and the different types of technological risks they would be subjected to. The main risks we identified were stealing confidential information such as business records, transactions, account numbers ect. We talked about several internal controls that can be put in place and tested by Technological Advisors such as Passwords being deleted once an employee is let go, computer cookie tracking, disengaging computers zip drives and testing of company policies.

What I learned

I learned that Tax and Audit were not the only two branches of Accounting students can go into right after college. We also learned all about how the Deloitte firm is set up and the many opportunities and advantages it offers its employees, such as Deloitte University!

Horne, OCTOBER 24, 2013

Parrish, Emily
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Summary of the case

Horne brought in a segment on testing journal entries and how to find errors, discrepancies or anything fraudulent in the journal entries of a company. We were also given a worksheet on the requirements for testing journal entries and why it's important. We learned about the financial reporting process and controls over journal entries, how to identify and select journal entries for testing, and then if needed inquiring of individuals involved in the financial reporting process about inappropriate or unusual activity.

Our solution

We were given a huge database of journal entries for a bank around 45,000 and asked how journal entries could be fraudulent and how we could pick them out of the 45,000 regular ones. We discussed that fraudulent journal entries can arise or be more predominate during certain times such as vacations, after or before normal operating hours when no one is around to monitor, and during holiday seasons when money tends to be tighter. We also talked about different people who could make these entries, such as book keepers, managers, and employees. We identified the most probable journal entries they would be and why its important for analysts to go back and look at these entries to see why they were made in the first place and whether they were fraudulent, mistakes or correct. After going through why and how these entries could be made we began to look through the database to try and discover anything odd and out of place such as manual journal entries, large amounts of small equal payments, even numbers that may have been rounded up or down. Luckily we did not find anything fraudulent in the journal entries we were given.

What I learned

I learned all about the databases that accounting firms use to audit and exam a companies files and journal entries. I also learned about the Benfords Law which is a distribution of the percentages of first digits in a list of numbers, I found this extremely interesting because iv never heard or thought about that before. It was also nice to hear some of Ms. Parrish's stories about traveling and working for Horne.

Pfizer, OCTOBER 31, 2013

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Pfizer
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Summary of the case

Pfizer gave a presentation about lost or unclaimed properties, assets and money. They also explained the legal and accounting problems many companies face that have operations and assets all over the country. They also explained the reasons and advantages many corporations have their headquarters are located in Delaware. Pfizer gave us a case about a company that held a large amount of cash deposits and how most states and Delaware in particular assign taxes and fees for those unclaimed deposits.

Our solution

Pfizer gave us an interactive worksheet to fill out to estimate the costs of the unclaimed deposits, and also gave us examples and websites to look at to determine if we or our families were owed any money that has been unclaimed. They also talked about the corporate world of accounting and what opportunities were available for young accountants and those interested in possibly going into the Corporate accounting world instead of the public sector of Big Four.

What I learned

I learned about tax and fees companies are faced with when holding unclaimed cash or checks, and even how to find some money that was owed to me, sadly none exists! I also learned a lot about the worlds largest pharmaceutical company and what they do. I was fascinated to learn about the many different opportunities accountants and business people have in a medical company. They also explained about their internship opportunities and the best ways to apply.

KPMG Case Competition November 4, 2013

Summary of the case

For the KPMG International Case Competition we were given basically the history and opinions of the Kraft-Cadbury merger that occurred in 2010. The merger was the largest trans Atlantic merger ever and provided Kraft the leading market share in chocolate and confectionary goods in the world. It was given that several people were unhappy with how the merger panned out and that Cadbury was not quite meeting the expectations that Kraft had held for them, and that there was worry from the United Kingdom and stockholders that the company was under valued and that they got a bad deal.

Our solution

It was then our job to look though the financial statements for both Kraft and Cadbury to come up with a plan to increase Kraft's profitability and get Cadbury back on track to meeting its revenue and expense cutting goals. We had several solutions for Cadbury and our biggest one to get revenue was to focus a global marketing strategy on three markets we saw as extremely opportunistic; China, India and America. We saw that Cadbury had a lot of room to grow in both China and India and create a strong and lasting foothold in those emerging markets so we came up with specific marketing strategies to reach those customers such as product placement in Bollywood for India, and ads in mobile phone games for China. We believed America would be a strong market because people are willing to pay a bit more for high quality goods such as Cadbury chocolate and we felt like we could exploit the foreign factor of it to create a high end good. We also hoped to establish a distribution and manufacturing center in China which we felt would give us a strategic foothold in the Asia markets and allowing us to supply products to that region quickly and cheaply. Finally we wanted to address the United Kingdom and Irelands concern about outsourcing jobs so we raised the prices of our Cadbury goods for the European and American markets. We estimated that a 10% increase in prices would bring about a 3% drop in sales but the increase in revenue would make up for the lost sales. By raising prices we could increase our profit margin allowing us to pay more for labor and thus keep jobs in the Countries where Cadbury first began.

What I learned

I learned a lot this time around. I felt much more confident in our material and a lot less nervous when presenting in front of the judges. I took a lot of the experiences and lessons learned from the past competition and shared them with my new group and I think it made a big difference since none of us were surprised about what to expect. I also learned that mergers are far more complicated than I ever expected, and that so many factors go into a decision besides a companies profits and names. I had never considered the culture behind a company and the people that work for it to be a huge factor in making a merger and company successful. All in all I really

enjoyed this case competition and had a great time working with a whole new group of friends.

Accounting Analysis, November 7, 2013

Dr. Vicki Dickenson
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Summary of the case

Since we did not have an Accounting firm come in and talk to us this day Dr. Dickenson decided to present a topic she is very passionate about, financial statement analysis. We were told to open up Kroger's financial statements from the past year and to look over them identifying things like the income statement, balance sheet and statement of cash flows. From there we calculated the basic accounting ratios we learned in Accounting 201 and 202 such as Profit Margin, Asset Turnover, and Return on Investment. Then Dr. Dickenson talked about her history with studying financial statements and how they held all kinds of secrets and information that can be extremely helpful for investors if they know what to look for.

Our solution

After discussing the possibilities and investment potential that we can discover in these financial statements we computed new ratios such as NOPAT (net operating profit before taxes minus tax on operating profit) in order to see how liquid, and solvent a company was as well as its ability to cover its debt. With our calculations from NOPAT we were able to calculate things like RNOA and NOPM over several different years to see if they showed an upward, or downward trend. Through our calculations it seemed like Kroger was highly variable and inconsistent each year which would lead investors to doubting its long term stability. We were also able to project Kroger's profitability and return on investments based on previous numbers and reasonable expectations as well as its future stock price and value for several years into the future.

What I learned

I learned that financial statements hold a lot more information than I originally thought and that there are many different ways to test a company to figure out if they are a good investment or not. I learned several formulas that will be useful in upcoming finance and accounting classes, upcoming case competitions and my own investment strategies.

EY November 14, 2013

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Summary of the case

EY brought in a Power Point presentation on decision making and the major biases that decision makers make. We evaluated how we can avoid these biases and be more inclusive and effective in the office while using the professional judgment framework. We were also told to read up and learn about differed taxes and payback periods in different companies and the laws and rules that regulate them. For the case we were given a pharmaceutical company and its past two years financial records. The company was recording a net loss and wanted to see if it could use its losses and defer them for tax purposes. We were also given a forecast of the companies expected revenues, expenses and income for the next five years. We were told to then evaluate if we could defer the loss, and other ways we could manage the loss.

Our solution

Our group used the professional judgment framework to evaluate what we should do and decided to defer the loss and pay it back in the future years as income increases because of a new drug they were currently planning to release in the next two years. By doing this we felt we could better match our expenses with our revenues because most of our expenses were Research and Development related to the new drug and therefore we felt like we should capitalize the expenses and defer the loss into the future.

What I learned

I learned a lot about EY as a company, and how they make decisions both large and small. The professional judgment framework was really interesting as it showed how effective managers, partners and employees can make the best decisions possible. I also learned a good bit about deferred losses and taxes. I was interested to find out you could erase a net loss and recognize it in future years.

Chris Haley, November 28, 2013

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Summary of the case

Chris Haley was our speaker this week and he gave a discussion on Entrepreneurship and the life cycle of businesses. We began the class with Mr. Haley describing himself and his path towards becoming a CFO and working with many different start ups around the country. Then we were asked to give a quick overview about ourselves as usual, but this time he wanted us to really describe who we were, not just our academic side. Then we jumped right into a discussion about the life cycle of business from their infancy stage, through maturity and we were given several examples of companies in each stage of the life cycle.

Our solution

We found that being an accounting major does not mean we have to be an accountant, and that being an accountant doesn't mean we have to do either tax or audit. Mr. Haley made it very clear that our degrees are very versatile and we can make them work for us so that we can work in any field we want to. Our class also discussed the risk and types of people it takes to be entrepreneurs and the types of people, and accountants that they need around them in order for a single idea to become a million dollar idea.

What I learned

Out of all the amazing classes we have had this year this one was by far my favorite. For the first time we were asked to really describe ourselves. It was refreshing to really get to learn about each of the members in our class beyond just their hometown, minors and cities they wanted to work in after graduation. I felt like I finally got to meet many of my classmates, and Mr. Haley seemed really interested in who we were. I also learned about the many opportunities and doors an accounting degree can open besides just the public accounting world. I loved hearing about his experiences with Entrepreneurs and the types of people it takes to make a successful company.

FedEx, December 5, 2013

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Summary of the case

FedEx presented about their company and the many issues its company deals with within its tax department. FedEx is a huge company that services all 50 states, and over 220 countries worldwide and on every continent, and each one of these, states, countries, governments all have taxes, and they are susceptible to almost all of them. So computing and handling taxation gets to be very complicated very quickly because its country wants more money and each state/country has different taxation laws, norms and rates which they must adhere to. FedEx also has to deal with the complicated matter of shipping billions of items a year to all these different places and in a short period of time. This amount of information and processing requires a lot of know how and experience from the FedEx team.

Our solution

As the world's largest transportation and delivery service FedEx is also extremely reliable and profitable amidst competitors and the complication intrinsic to its service. FedEx pays taxes on its items by paying taxes in the country in which the revenue is gained. So for example if I spend \$500 on shipping an item to Australia, that \$500 is taxable in the United States, this helps FedEx match revenue and expenses as best as possible. They also pay taxes such as property taxes, operational taxes, state/government taxes in areas that they have assets or hubs in such as Memphis, China and Paris. Another problem FedEx places is that many different countries require tax forms that vary immensely, luckily over the last few years the ICC Policy Statement was invented allowing for multinational companies like FedEx to present one standard form that will be acceptable for most countries.

What I learned

Reading over this PowerPoint I was incredibly surprised to find out how complicated international business can be. I had never really considered how varied tax forms and regulations can be between different states and especially countries. Tax the accounting field I am most interested in working in and FedEx really opened my eyes to the many issues and complications accountants face in this exciting field. We were also given information on FedEx's internship opportunities and I'm glad

they presented on that a little because that was a program I am interested in applying for.